

EU-backed investment agreement in Vulcan Zero Carbon Lithium™ Project

Highlights:

- Investment agreement signed with EU-backed EIT InnoEnergy for staged cash investments into Vulcan, with initial tranche valued at A\$0.51/share, equivalent to the 15-day VWAP and at an 8.5% premium to 30-day VWAP, subject to shareholder approval.
- Direct investment by EIT InnoEnergy marks a vote of confidence in the Vulcan Zero Carbon Lithium™ Project by a prominent EU-backed body mandated to lead the European Battery Alliance.
- This follows Vulcan recently announcing a separate agreement with EIT InnoEnergy to assist with securing future large-scale project development funding, including from public sources, and to assist with fast-tracking project approvals.
- Investment to be used by Vulcan towards its Pre-Feasibility Study (PFS) programme.

Vulcan Managing Director, Dr. Francis Wedin, commented: *“Following our recent announcement of project support by EIT InnoEnergy, we are delighted to also welcome them as a direct investor in Vulcan. This investment in Vulcan and its team is a critical vote of confidence by a prominent EU-backed organisation. The strategic alignment of both organisations will be important in securing funding needs and streamlining approvals for future large-scale project development. It is another significant step towards achieving our goal of supplying the EU battery market with Zero Carbon Lithium™ hydroxide products.”*

Diego Pavia, CEO of EIT InnoEnergy noted: *“Accelerating the development of a strong European battery industry is a cornerstone of the European recovery plan recently issued by the European Commission. It will be one of the key differentiators for batteries ‘made in Europe’ to be produced sustainably with the goal of complete carbon neutrality at every stage of the value chain. Therefore, making Vulcan’s mission of carbon-neutral lithium extraction in the Upper Rhine region in Germany is of utmost strategic importance and has our full support, financially and beyond.”*

Highlights

Aiming to be the world’s first
Zero Carbon Lithium™
producer.

Large, lithium-rich
geothermal brine project, in
the Upper Rhine Valley of
Germany.

Europe’s **largest** JORC-
compliant lithium resource.

Located at the heart of the EU
Li-ion battery industry.

Fast-track development of
project under way towards
production.

Corporate Directory

Managing Director
Dr Francis Wedin

Chairman
Gavin Rezos

Executive Director
Dr Horst Kreuter

Non-Executive Director
Ranya Alkadamani

Non-Executive Director
Dr Katharina Gerber

CFO-Company Secretary
Robert Ierace

Fast Facts


Issued Capital: 67,217,755
Market Cap (@54.5c): \$36.6m

Contact

Level 11, Brookfield Place
125 St Georges Terrace
Perth WA 6000 Australia
08 6189 8767

Vulcan Energie Ressourcen
GmbH
Baischstr. 8, 76133 Karlsruhe

www.v-er.com
info@v-er.com

 @VulcanEnergyRes

Recent activities by the Company:

- Completion of \$4.8m institutional and ESG investor equity placement.
- Securing EU backing for the Vulcan Zero Carbon Lithium™ Project.
- Presentation to European Commission and European Investment Bank Vice-Presidents, alongside VW, BASF, EDF.
- Recruitment of German lithium chemistry & geothermal lithium expert Dr. Katharina Gerber to the Vulcan Board.
- Appointment of strategic communications expert Ranya Alkadamani to the Vulcan Board.
- Agreement to acquire 3D seismic package to accelerate project development.
- Commencement of lithium extraction test work for PFS.
- Positive Scoping Study.

Material terms of agreement

EIT InnoEnergy will provide the following staged payments to Vulcan Energie Ressourcen GmbH, the Company's 100%-owned German subsidiary (Subsidiary):

- (a) an initial payment of €150,000 (Tranche 1, equivalent to \$245,534 at current exchange rates).
- (b) further payment of €50,000 after approval by EIT InnoEnergy of the financial and performance reporting related to expenditure of Tranche 1 funding on approved work packages Tranche 2).
- (c) a final settlement of €50,000 of approved funding after approval by EIT InnoEnergy of the final financial and performance reporting for the expenditure of Tranche 1 and Tranche 2 funding on approved work packages for the project (Tranche 3).

All payments shall be made within 30 calendar days following the relevant trigger. Based on its current timelines for the Vulcan Zero Carbon Lithium™ Project, the Company expects to receive all three Tranches by the end of 2020.

EIT InnoEnergy is not be obliged to make any of the subsequent payments if the Subsidiary fails to fulfil any relevant obligations under the agreement (including cost reporting obligations).

The Subsidiary must use the funding in accordance with a project plan and project budget approved by EIT InnoEnergy. EIT InnoEnergy may reduce (or, with the Company's agreement, increase) the amount of funding provided under Tranche 3 depending on the needs of the Vulcan Zero Carbon Lithium™ Project and the Subsidiary's compliance with its reporting requirements.

In the event that the Subsidiary does not use the Tranche 1 or 2 funding (in whole or in part) for the purpose of the Vulcan Zero Carbon Lithium™ Project, the Subsidiary must return the unused amounts to EIT InnoEnergy within 30 days of EIT InnoEnergy requesting that the funds be returned.

Issue of Warrants

The Company has agreed to grant Warrants to EIT InnoEnergy on payment of each Tranche of funding, in the following amounts:

- (a) Tranche 1: 479,519 Warrants (being the Australian dollar amount of the Tranche 1 funding, divided by \$0.512, which was the volume weighted average price (**VWAP**) for Shares over the last 15 days on which Shares were traded immediately prior to execution of the funding agreements; and
- (b) Tranches 2 and 3: the number equal to the Australian dollar amount of the relevant Tranche of funding, divided by the VWAP for Shares over the last 15 days on which Shares were traded immediately prior to EIT InnoEnergy paying the relevant Tranche of the funding.

The Warrants will convert into Shares on a one for one basis on exercise.

The Warrants can only be exercised:

- (a) after 1 September 2021; and
- (b) once the agreed work packages and final settlement of the Tranche 3 funding have been completed.

Once those things have occurred, the Warrants are exercisable at any time on or prior to expiry on the date which is 3 years from the date of grant.

The payments will be the exercise price for the Warrants, payable on grant of the Warrants rather than on exercise. No further amount will be payable by EIT InnoEnergy to exercise the Warrants.

If any part of the funding is clawed back by EIT InnoEnergy under the terms of the funding agreements, a corresponding number of the Warrants will be cancelled.

A summary of the other material terms and conditions of the Warrants is set out in the Schedule to this announcement.

This announcement has been approved for release by the Board

Robert Ierace

Chief Financial Officer - Company Secretary

For further information visit www.v-er.com

Zero Carbon LithiumTM

Schedule – Terms and conditions of the Warrants

Entitlement	Each Warrant entitles the holder (Warrantholder) to subscribe for one Share upon exercise of the Warrant.
Expiry Date	Each Warrant will expire at 5:00 pm (WST) on the date which is 3 years from the date of issue (Expiry Date). A Warrant not exercised before the Expiry Date will automatically lapse on the Expiry Date.
Exercise Period	<p>The Warrants can only be exercised:</p> <ul style="list-style-type: none"> (a) after 1 September 2021; and (b) once the agreed work packages and final settlement of the Tranche 3 funding has been completed. <p>Once those things have occurred, the Warrants are exercisable at any time on or prior to the Expiry Date (Exercise Period).</p>
Exercise Price	The exercise price for the Warrants will be the funding amounts paid by EIT InnoEnergy on issue of the Warrants. No further amount will be payable by the Warrantholder to exercise the Warrants during the Exercise Period.
Notice of Exercise	The Warrants may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Warrant certificate (Notice of Exercise).
Timing of issue of Shares on exercise	<p>Within 10 Business Days after the date of receipt of the Notice of Exercise, the Company will:</p> <ul style="list-style-type: none"> (a) issue the number of Shares required under these terms and conditions in respect of the number of Warrants specified in the Notice of Exercise and for which cleared funds have been received by the Company; (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and (c) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Warrants. <p>If a notice delivered under (b) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.</p>

Shares issued on exercise	Shares issued on exercise of the Warrants rank equally with the then issued shares of the Company.
Reconstruction of capital	<p>If at any time the issued capital of the Company is reconstructed, all rights of a Warrant holder are to be changed in accordance with the following rules:</p> <ul style="list-style-type: none"> (a) (consolidation of capital): the number of Warrants must be consolidated in the same ratio as the ordinary capital and the Issue Price must be amended in inverse proportion to that ratio; (b) (sub-division of capital): the number of Warrants must be sub-divided in the same ratio as the ordinary capital and the Issue Price must be amended in inverse proportion to that ratio; (c) (return of capital): the number of Warrants must remain the same, and the Issue Price of each Warrant must be reduced by the same amount as the amount returned in relation to each ordinary Share; (d) (reduction of capital by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled): the number of Warrants and the Issue Price of each Warrant must remain unaltered; (e) (pro rata cancellation of capital): the number of Warrants must be reduced in the same ratio as the ordinary capital and the Issue Price of each Warrant must be amended in inverse proportion to that ratio; and (f) otherwise in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
Participation in new issues	<p>The Warrants have the following participation rights:</p> <ul style="list-style-type: none"> (a) if there is a bonus issue to the Shareholders, the Company must increase the number of Shares over which a Warrant is exercisable by the number of Shares which EIT InnoEnergy would have received if the Warrant had been exercised before the record date (as defined in the ASX Listing Rules) (Record Date) for the bonus issue. (b) the Warrant holder may not participate in new issues of securities to Shareholders where it exercises some or all of its Warrants into Shares within a reasonable time for the relevant Shares to be issued prior to the relevant Record Date.
Notification of Record Date	<p>The Company must:</p> <ul style="list-style-type: none"> (a) give the Warrant holder at least 15 Business Days written notice of the Record Date in respect of any proposed issue of securities to holders of Shares such that the Warrant holder has sufficient time to exercise any or all of its unexercised Warrants into Shares before the Record Date; and

	(b) use reasonable endeavours to ensure that the Shares issued upon receipt of a Notice of Exercise prior to the Record Date are entered into the register of Shares prior to such Record Date in order for the Warrant holder to participate in the proposed issue (in its sole discretion).
Notification of adjustment	The Company must give notice to the Warrant holder of any adjustment it may make to either the number of Shares which the Warrant holder is entitled to subscribe for on exercise of the Warrants, or the Issue Price.
Change in Issue Price	A Warrant does not confer the right to a change in Issue Price or a change in the number of underlying securities over which the Warrant can be exercised.
Transferability	The Warrants are transferable subject to the Warrant holder obtaining the written consent of the Company, which will not be unreasonably withheld or delayed.
Cancellation	To the extent that the amount of the funding from EIT InnoEnergy is adjusted downwards pursuant to the terms of the funding agreement, the Company may cancel a corresponding number of Warrants based on the original issue price for the relevant Warrants.